

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7585

BILL NUMBER: HB 1622

NOTE PREPARED: Jan 12, 2009

BILL AMENDED:

SUBJECT: Advanced Renewable Energy Tariffs.

FIRST AUTHOR: Rep. Pierce

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ___**GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Pending

Summary of Legislation: This bill requires a person that operates an electric grid to: (1) provide priority interconnections between renewable energy facilities and the grid operator's grid; (2) transmit on a priority basis electricity generated by renewable energy facilities that are connected to its grid; and (3) perform necessary grid upgrades to enable the interconnection of renewable energy facilities. It provides that the costs associated with connecting a renewable energy facility to a grid shall be borne by the operator of the renewable energy facility (facility operator). It provides that the costs of any necessary grid updates shall be borne by the grid operator.

This bill requires an energy utility to enter into a contract for the purchase of electricity generated by a renewable energy facility upon the request of the facility operator. It provides that the contract must be for a term of at least 20 years and must require the energy utility to purchase electricity from the renewable energy facility: (1) on a priority basis; and (2) at a rate that is not less than the applicable renewable energy rate at the time the contract is entered into. It also requires the utility regulatory commission (IURC) to develop and make available a standard contract for use by energy utilities in entering into contracts with facility operators.

The bill provides that an energy utility's obligation to enter into a contract with a facility operator ends after June 30, 2029. It sets forth specific renewable energy rates for electricity generated from the following renewable energy resources: (1) Hydropower. (2) Landfill gas or sewage treatment gas. (3) Biogas. (4) Geothermal energy. (5) Wind energy. (6) Solar energy.

Beginning in 2011, it requires the IURC to review renewable energy rates every two years to determine if the rates reflect the price needed for the profitable development of renewable energy facilities in Indiana. It

provides that if the IURC determines that the rates do not reflect the price needed for the profitable development of renewable energy facilities in Indiana, the IURC may, upon public notice and opportunity for hearing, adjust the rates to reflect a level of profitability that: (1) ensures the rapid deployment of renewable electricity generation; and (2) does not result in excessive profits for facility operators or unnecessary costs to ratepayers. It provides that any rate adjustments made by the IURC apply only to contracts that are entered into after the date of the IURC's order adjusting the rates. It provides that if a facility operator that enters or seeks to enter into a purchase contract with an energy utility receives any federal tax incentives or other benefits available for renewable electricity generation, the renewable energy rate that would ordinarily apply must be reduced by an amount that reflects the tax incentives or benefits received.

This bill requires the IURC to establish a method or formula for proportionally reducing renewable energy rates to account for the federal incentives and benefits received by facility operators. Beginning in 2010, it requires each energy utility that purchased electricity under contracts with facility operators during the previous calendar year to annually report the following information to the IURC:

- (1) The total amount of electricity purchased under all of the utility's contracts with facility operators.
- (2) The price paid for the electricity purchased under the contracts.
- (3) The total amount of electricity supplied by the utility to all its Indiana customers.

The bill also requires the IURC to compile the information submitted by the energy utilities and determine: (1) a statewide ratio of the total amount of electricity purchased under all renewables contracts by all energy utilities, to the total amount of electricity supplied to Indiana customers by the purchasing energy utilities; and (2) for each purchasing energy utility, an individual ratio of the energy utility's total purchases under all the utility's renewables contracts, to the total amount of electricity supplied by the energy utility to all its Indiana customers.

It provides that if an energy utility's individual ratio is less than the statewide ratio, the energy utility must pay to the IURC an equalization charge that reflects the difference between the statewide ratio and the energy utility's ratio. It also provides that if an energy utility's individual ratio is greater than the statewide ratio, the IURC must remit to the energy utility an equalization payment that reflects the difference between the energy utility's ratio and the statewide ratio. It establishes the Renewable Energy Equalization Fund to be administered by the IURC to receive equalization charges and disburse equalization payments. It also requires the IURC to establish a statewide registry of all renewable energy facilities that enter into contracts with energy utilities after June 30, 2009. The bill also requires the IURC to record in the registry certain information with respect to each facility. It requires the State Utility Forecasting Group to include certain information in its annual report on renewable energy resources in Indiana. This bill makes an appropriation.

Effective Date: Upon passage.

Explanation of State Expenditures: *As of the above date, the fiscal analysis of this bill has not been completed. Please contact the Office of Fiscal and Management Analysis for an update of this fiscal impact statement.*

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected:

Information Sources:

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